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Ethics without the Sermon

LAURA L. NASH

As if via a network TV program on the telecommunications satellite, declarations such as these are being broadcast throughout the land:

Scene 1. Annual meeting, Anyproducts Inc.; John Q. Moneypockets, chairman and CEO, speaking: "Our responsibility to the public has always come first at our company, and we continue to strive toward serving our public in the best way possible in the belief that good ethics is good business. . . . Despite our forecast of a continued recession in the industry through 1982, we are pleased to announce that 1981's earnings per share were up for the twenty-sixth year in a row."

Scene 2. Corporate headquarters, Anyproducts Inc.; Linda Diesinker, group vice president, speaking: "Of course we're concerned about minority development and the plight of the inner cities. But the best place for our new plant would be Horsepasture, Minnesota. We need a lot of space for our operations and a skilled labor force, and the demographics and tax incentives in Horsepasture are perfect."

Scene 3. Interview with a financial writer; Rafe Shortstop, president, Anyproducts Inc., speaking: "We're very concerned about the state of American business and our ability to compete with foreign companies. . . . No, I don't think we have any real ethical problems. We don't bribe people or anything like that."

Scene 4. Jud McFisticuff, taxi driver, speaking: "Anyproducts? You've got to be kidding! I wouldn't buy their stuff for anything. The last thing of theirs I bought fell apart in six months. And did you see how they were dumping wastes in the Roxburg water system?"

Scene 5. Leslie Matriculant, MBA '82, speaking: "Join Anyproducts? I don't want to risk my reputation working for a company like that. They recently acquired a business that turned out to have ten class-action discrimination suits against it. And when Anyproducts tried to settle the whole thing out of court, the president had his picture in *Business Week* with the caption, 'His secretary still serves him coffee'."

Whether you regard it as an unchecked epidemic or as the first blast of Gabriel's horn, the trend toward focusing on the social impact of the corporation is an inescapable reality that must be factored into today's managerial decision making. But for the executive who asks, "How do we as a corporation examine our ethical concerns?" the theoretical insights currently available may be more frustrating than helpful.

As the first scene in this article implies, many executives firmly believe that corporate operations and corporate values are dynamically intertwined. For the purposes of analysis, however, the executive needs to uncoil the business-ethics helix and examine both strands closely.

Unfortunately, the ethics strand has remained largely inaccessible, for business has not yet developed a workable process by which corporate values can be articulated. If ethics and business are part of the same double helix, perhaps we can develop a microscope capable of enlarging our perception of both aspects of business administration—what we do and who we are.

Sidestepping Triassic Reptiles

Philosophy has been sorting out issues of fairness, injury, empathy, self-sacrifice, and so on for more than 2,000 years. In seeking to examine the ethics of business, therefore, business logically assumes it will be best served by a "consultant" in philosophy who is already familiar with the formal discipline of ethics.

As the philosopher begins to speak, however, a difficulty immediately arises; corporate executives and philosophers approach problems in radically different ways. The academician ponders the intangible, savors the paradoxical, and embraces the peculiar; he or she speaks in a special language of categorical imperatives and deontological viewpoints that must be taken into consideration before a statement about honesty is agreed to have any meaning.

Like some Triassic reptile, the theoretical view of ethics lumbers along in the far past of Sunday School and Philosophy 1, while the reality of practical business concerns is constantly measuring a wide range of competing claims on time and resources against the unrelenting and objective marketplace.

Not surprisingly, the two groups are somewhat hostile. The jokes of the liberal intelligentsia are rampant and weary: "*Ethics and Business*—the shortest book in the world." "Business and ethics—a subject confined to the preface of business books." Accusations from the corporate cadre are delivered with an assurance that rests more on an intuition of social climate than on a certainty of fact: "You do-gooders are ruining America's ability to compete in the world." "Of course, the cancer reports on ______ [choose from a long list] were terribly exaggerated."

What is needed is a process of ethical inquiry that is immediately comprehensible to a group of executives and not predisposed to the utopian, and sometimes anticapitalistic, bias marking much of the work in applied business philosophy today. So I suggest, as a preliminary solution, a set of 12 questions that draw on traditional philosophical frameworks but that avoid the level of abstraction normally associated with formal moral reasoning.

I offer the questions as a first step in a very new discipline. As such, they form a tentative model that will certainly undergo modifications after its parts are given some exercise. The *Exhibit* poses the 12 questions.

To illustrate the application of the questions, I will draw especially on a program at Lex Service Group, Ltd., whose top management prepared a statement of financial objectives and moral values as a part of its strategic planning process.[1] Lex is a British company with operations in the United Kingdom and the United States. Its sales total about $1.2 billion. In 1978 its structure was partially decentralized, and in 1979 the chairman's policy group began a strategic planning

process. The intent, according to its statement of values and objectives, was "to make explicit the sort of company Lex was, or wished to be."

Neither a paralegal code nor a generalized philosophy, the statement consisted of a series of general policies regarding financial strategy as well as such aspects of the company's character as customer service, employee-shareholder responsibility, and quality of management. Its content largely reflected the personal values of Lex's chairman and CEO, Trevor Chinn, whose private philanthropy is well known and whose concern for social welfare has long been echoed in the company's personnel policies.

In the past, pressure on senior managers for high-profit performance had obscured some of these ideals in practice, and the statement of strategy was a way of radically realigning various competing moral claims with the financial objectives of the company. As one senior manager remarked to me, "The values seem obvious, and if we hadn't been so gross in the past we wouldn't have needed the statement." Despite a predictable variance among Lex's top executives as to the desirability of the values outlined in the statement, it was adopted with general agreement to comply and was scheduled for reassessment at a senior managers' meeting one year after implementation.

The 12 Questions

1. Have you defined the problem accurately?

How one assembles the facts weights an issue before the moral examination ever begins, and a definition is rarely accurate if it articulates one's loyalties rather than the facts. The importance of factual neutrality is readily seen, for example, in assessing the moral implications of producing a chemical agent for use in warfare. Depending on one's loyalties, the decision to make the substance can be described as serving one's country, developing products, or killing babies. All of the above may be factual statements, but none is neutral or accurate if viewed in isolation.

Similarly, the recent controversy over marketing U.S.-made cigarettes in Third World countries rarely noted that the incidence of lung cancer in underdeveloped nations is quite low (from one-tenth to one-twentieth the rate for U.S. males) due primarily to the lower life expectancies and earlier predominance of other diseases in these nations. Such a fact does not decide the ethical complexities of this marketing problem, but it does add a crucial perspective in the assignment of moral priorities by defining precisely the injury that tobacco exports may cause.

Extensive fact gathering may also help defuse the emotionalism of an issue. For instance, local statistics on lung cancer incidence reveal that the U.S. tobacco industry is not now "exporting death," as has been charged. Moreover, the substantial and immediate economic benefits attached to tobacco may be providing food and health care in these countries. Nevertheless, as life expectancy and the standards of living rise, a higher incidence of cigarette-related diseases appears likely to develop in these nations. Therefore, cultivation of the nicotine habit may be deemed detrimental to the long-term welfare of these nations.

According to one supposedly infallible truth of modernism, technology is so complex that its results will never be fully comprehensible or predictable. Part

Exhibit Twelve Questions for Examining the Ethics of a Business Decision

1 Have you defined the problem accurately?
2 How would you define the problem if you stood on the other side of the fence?
3 How did this situation occur in the first place?
4 To whom and to what do you give your loyalty as a person and as a member of the corporation?
5 What is your intention in making this decision?
6 How does this intention compare with the probable results?
7 Whom could your decision or action injure?
8 Can you discuss the problem with the affected parties before you make your decision?
9 Are you confident that your position will be as valid over a long period of time as it seems now?
10 Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, society as a whole?
11 What is the symbolic potential of your action if understood? If misunderstood?
12 Under what conditions would your allow exceptions to your stand?

of the executive's frustration in responding to question 1 is the real possibility that the "experts" will find no grounds for agreement about the facts.

As a first step, however, defining fully the factual implications of a decision determines to a large degree the quality of one's subsequent moral position. Pericles' definition of true courage rejected the Spartans' blind obedience in war in preference to the courage of the Athenian citizen who, he said, was able to make a decision to proceed in full knowledge of the probable danger. A truly moral decision is an informed decision. A decision that is based on blind or convenient ignorance is hardly defensible.

One simple test of the initial definition is the question:

2. How would you define the problem if you stood on the other side of the fence?

The contemplated construction of a plant for Division X is touted at the finance committee meeting as an absolute necessity for expansion at a cost saving of at least 25%. With plans drawn up for an energy-efficient building and an option already secured on a 99-year lease in a new industrial park in Chippewa County, the committee is likely to feel comfortable in approving the request for funds in a matter of minutes.

The facts of the matter are that the company will expand in an appropriate market, allocate its resources sensibly, create new jobs, increase Chippewa County's tax base, and most likely increase its returns to the shareholders. To the residents of Chippewa County, however, the plant may mean the destruction of a customary recreation spot, the onset of severe traffic jams, and the erection

of an architectural eyesore. These are also facts of the situation, and certainly more immediate to the county than utilitarian justifications of profit performance and rights of ownership from an impersonal corporation whose headquarters are 1,000 miles from Chippewa County and whose executives have plenty of acreage for their own recreation.

The purpose of articulating the other side, whose needs are understandably less proximate than operational considerations, is to allow some mechanism whereby calculations of self-interest (or even of a project's ultimate general beneficence) can be interrupted by a compelling empathy for those who might suffer immediate injury or mere annoyance as a result of a corporation's decisions. Such empathy is a necessary prerequisite for shouldering voluntarily some responsibility for the social consequences of corporate operations, and it may be the only solution to today's overly litigious and anarchic world.

There is a power in self-examination: with an exploration of the likely consequences of a proposal, taken from the viewpoint of those who do not immediately benefit, comes a discomfort or an embarrassment that rises in proportion to the degree of the likely injury and its articulation. Like Socrates as gadfly, who stung his fellow citizens into a critical examination of their conduct when they became complacent, the discomfort of the alternative definition is meant to prompt a disinclination to choose the expedient over the most responsible course of action.

Abstract generalities about the benefits of the profit motive and the free market system are, for some, legitimate and ultimate justifications, but when unadorned with alternative viewpoints, such arguments also tend to promote the complacency, carelessness, and impersonality that have characterized some of the more injurious actions of corporations. The advocates of these arguments are like the reformers in Nathaniel Hawthorne's short story "Hall of Fantasy" who "had got possession of some crystal fragment of truth, the brightness of which so dazzled them that they could see nothing else in the whole universe."

In the example of Division X's new plant, it was a simple matter to define the alternate facts; the process rested largely on an assumption that certain values were commonly shared (no one likes a traffic jam, landscaping pleases more than an unadorned building, and so forth). But the alternative definition often underscores an inherent disparity in values or language. To some, the employment of illegal aliens is a criminal act (fact #1); to others, it is a solution to the 60% unemployment rate of a neighboring country (fact #2). One country's bribe is another country's redistribution of sales commissions.

When there are cultural or linguistic disparities, it is easy to get the facts wrong or to invoke a pluralistic tolerance as an excuse to act in one's own self-interest: "That's the way they do things over there. Who are we to question their beliefs?" This kind of reasoning can be both factually inaccurate (many generalizations about bribery rest on hearsay and do not represent the complexities of a culture) and philosophically inconsistent (there are plenty of beliefs, such as those of the environmentalist, which the same generalizers do not hesitate to question).

3. How did this situation occur in the first place?

Lex Motor Company, a subsidiary of Lex Service Group, Ltd., had been losing share at a 20% rate in a declining market; and Depot B's performance was the worst of all. Two nearby Lex depots could easily absorb B's business, and closing it down seemed the only sound financial decision. Lex's chairman, Trevor Chinn, hesitated to approve the closure, however, on the grounds that putting 100 people out of work was not right when the corporation itself was not really jeopardized by B's existence. Moreover, seven department managers, who were all within five years of retirement and had had 25 or more years of service at Lex, were scheduled to be made redundant.

The values statement provided no automatic solution, for it placed value on both employees' security and shareholders' interest. Should they close Depot B? At first Chinn thought not: Why should the little guys suffer disproportionately when the company was not performing well? Why not close a more recently acquired business where employee service was not so large a factor? Or why not wait out the short term and reduce head count through natural attrition?

As important as deciding the ethics of the situation was the inquiry into its history. Indeed, the history gave a clue to solving the dilemma: Lex's traditional emphasis on employee security *and* high financial performance had led to a precipitate series of acquisitions and subsequent divestitures when the company had failed to meet its overall objectives. After each rationalization, the people serving the longest had been retained and placed at Depot B, so that by 1980 the facility had more managers than it needed and a very high proportion of long-service employees.

So the very factors that had created the performance problems were making the closure decision difficult, and the very solution that Lex was inclined to favor again would exacerbate the situation further!

In deciding the ethics of a situation it is important to distinguish the symptoms from the disease. Great profit pressures with no sensitivity to the cycles in a particular industry, for example, may force division managers to be ruthless with employees, to short-weight customers, or even to fiddle with cash flow reports in order to meet headquarters' performance criteria.

Dealing with the immediate case of lying, quality discrepancy, or strained labor relations—when the problem is finally discovered—is only a temporary solution. A full examination of how the situation occurred and what the traditional solutions have been may reveal a more serious discrepancy of values and pressures, and this will illuminate the real significance and ethics of the problem. It will also reveal recurring patterns of events that in isolation appear trivial but that as a whole point up a serious situation.

Such a mechanism is particularly important because very few executives are outright scoundrels. Rather, violations of corporate and social values usually occur inadvertently because no one recognizes that a problem exists until it becomes a crisis. This tendency toward initial trivialization seems to be the biggest ethical problem in business today. Articulating answers to my first three questions is a way of reversing that process.

4. To whom and what do you give your loyalties as a person and as a member of the corporation?

Every executive faces conflicts of loyalty. The most familiar occasions pit private conscience and sense of duty against corporate policy, but equally frequent are the situations in which one's close colleagues demand participation (tacit or explicit) in an operation or a decision that runs counter to company policy. To whom or what is the greater loyalty—to one's corporation? superior? family? society? self? race? sex?

The good news about conflicts of loyalty is that their identification is a workable way of smoking out the ethics of a situation and of discovering the absolute values inherent in it. As one executive in a discussion of a Harvard case study put it, "My corporate brain says this action is O.K., but my noncorporate brain keeps flashing these warning lights."

The bad news about conflicts of loyalty is that there are few automatic answers for placing priorities on them. "To thine own self be true" is a murky quagmire when the self takes on a variety of roles, as it does so often in this complex modern world.

Supposedly, today's young managers are giving more weight to individual than to corporate identity, and some older executives see this tendency as being ultimately subversive. At the same time, most of them believe individual integrity is essential to a company's reputation.

The U.S. securities industry, for example, is one of the most rigorous industries in America in its requirements of honesty and disclosure. Yet in the end, all its systematic precautions prove inadequate unless the people involved also have a strong sense of integrity that puts loyalty to these principles above personal gain.

A system, however, must permit the time and foster the motivation to allow personal integrity to surface in a particular situation. An examination of loyalties is one way to bring this about. Such an examination may strengthen reputations but also may result in blowing the whistle (freedom of thought carries with it the risk of revolution). But a sorting out of loyalties can also bridge the gulf between policy and implementation or among various interest groups whose affiliations may mask a common devotion to an aspect of a problem—a devotion on which consensus can be built.

How does one probe into one's own loyalties and their implications? A useful method is simply to play various roles out loud, to call on one's loyalty to family and community (for example) by asking, "What will I say when my child asks me why I did that?" If the answer is "That's the way the world works," then your loyalties are clear and moral passivity inevitable. But if the question presents real problems, you have begun a demodulation of signals from your conscience that can only enhance corporate responsibility.

5. What is your intention in making this decision?

6. How does this intention compare with the likely results?

These two questions are asked together because their content often bears close resemblance and, by most calculations, both color the ethics of a situation.

Corporation Buglebloom decides to build a new plant in an underdeveloped minority-populated district where the city has been trying with little success to encourage industrial development. The media approve and Buglebloom adds another star to its good reputation. Is Buglebloom a civic leader and a supporter of minorities or a canny investor about to take advantage of the disadvantaged? The possibilities of Buglebloom's intentions are endless and probably unfathomable to the public; Buglebloom may be both canny investor and friend of minority groups.

I argue that despite their complexity and elusiveness, a company's intentions *do* matter. The "purity" of Buglebloom's motives (purely profit-seeking or purely altruistic) will have wide-reaching effects inside and outside the corporation—on attitudes toward minority employees in other parts of the company, on the wages paid at the new plant, and on the number of other investors in the same area—that will legitimize a certain ethos in the corporation and the community.

Sociologist Max Weber called this an "ethics of attitude" and contrasted it with an "ethics of absolute ends." An ethics of attitude sets a standard to ensure a certain action. A firm policy at headquarters of not cheating customers, for example, may also deter salespeople from succumbing to a tendency to lie by omission or purchasers from continuing to patronize a high-priced supplier when the costs are automatically passed on in the selling price.

What about the ethics of result? Two years later, Buglebloom wishes it had never begun Project Minority Plant. Every good intention has been lost in the realities of doing business in an unfamiliar area, and Buglebloom now has dirty hands: some of those payoffs were absolutely unavoidable if the plant was to open, operations have been plagued with vandalism and language problems, and local resentment at the industrialization of the neighborhood has risen as charges of discrimination have surfaced. No one seems to be benefiting from the project.

The goodness of intent pales somewhat before results that perpetrate great injury or simply do little good. Common sense demands that the "responsible" corporation try to align the two more closely, to identify the probable consequences and also the limitations of knowledge that might lead to more harm than good. Two things to remember in comparing intention and results are that knowledge of the future is always inadequate and that overconfidence often precedes a disastrous mistake.

These two precepts, cribbed from ancient Greece, may help the corporation keep the disparities between intent and result a fearsome reality to consider continuously. The next two questions explore two ways of reducing the moral risks of being wrong.

7. Whom could your decision or action injure?

The question presses whether injury is intentional or not. Given the limits of knowledge about a new product or policy, who and how many will come into contact with it? Could its inadequate disposal affect an entire community? two employees? yourself? How might your product be used if it happened to be acquired by a terrorist radical group or a terrorist military police force? Has your distribution system or disposal plan ensured against such injury? Could it ever?

If not, there may be a compelling moral justification for stopping production. In an integrated society where business and government share certain values, possible injury is an even more important consideration than potential benefit. In policymaking, a much likelier ground for agreement than benefit is avoidance of injury through those "universal nos"—such as no mass death, no totalitarianism, no hunger or malnutrition, no harm to children.

To exclude *at the outset* any policy or decision that might have such results is to reshape the way modern business examines its own morality. So often business formulates questions of injury only after the fact in the form of liability suits.

8. Can you engage the affected parties in a discussion of the problem before you make your decision?

If the calculus of injury is one way of responding to limitations of knowledge about the probable results of a particular business decision, the participation of affected parties is one of the best ways of informing that consideration. Civil rights groups often complain that corporations fail to invite participation from local leaders during the planning stages of community development projects and charitable programs. The corporate foundation that builds a tennis complex for disadvantaged youth is throwing away precious resources if most children in the neighborhood suffer from chronic malnutrition.

In the Lex depot closure case I have mentioned, senior executives agonized over whether the employees would choose redundancy over job transfer and which course would ultimately be more beneficial to them. The managers, however, did not consult the employees. There were more than 200 projected job transfers to another town. But all the affected employees, held by local ties and uneasy about possibly lower housing subsidies, refused relocation offers. Had the employees been allowed to participate in the redundancy discussions, the company might have wasted less time on relocation plans or might have uncovered and resolved the fears about relocating.

The issue of participation affects everyone. (How many executives feel that someone else should decide what is in *their* best interest?) And yet it is a principle often forgotten because of the pressure of time or the inconvenience of calling people together and facing predictably hostile questions.

9. Are you confident that your position will be as valid over a long period of time as it seems now?

As anyone knows who has had to consider long-range plans and short-term budgets simultaneously, a difference in time frame can change the meaning of a problem as much as spring and autumn change the colors of a tree. The ethical coloring of a business decision is no exception to this generational aspect of decision making. Time alters circumstances, and few corporate value systems are immune to shifts in financial status, external political pressure, and personnel. (One survey now places the average U.S. CEO's tenure in office at five years.)

At Lex, for example, the humanitarianism of the statement of objectives and values depended on financial prosperity. The values did not fully anticipate the extent to which the U.K. economy would undergo a recession, and the resulting changes had to be examined, reconciled, and fought if the company's values were to have any meaning. At the Lex annual review, the managers asked themselves repeatedly whether hard times were the ultimate test of the statement or a clear indication that a corporation had to be able to "afford" ethical positions.

Ideally, a company's articulation of its values should anticipate changes of fortune. As the hearings for the passage of the Foreign Corrupt Practices Act of 1977 demonstrated, doing what you can get away with today may not be a secure moral standard, but short-term discomfort for long-term sainthood may require irrational courage or a rational reasoning system or, more likely, both. These 12 questions attempt to elicit a rational system. Courage, of course, depends on personal integrity.

Another aspect of the ethical time frame stretches beyond the boundaries of question 9 but deserves special attention, and that is the timing of the ethical inquiry. When and where will it be made?

We do not normally invoke moral principles in our everyday conduct. Some time ago the participants in a national business ethics conference had worked late into the night preparing the final case for the meeting, and they were very anxious the next morning to get the class under way. Just before the session began, however, someone suggested that they all donate a dollar apiece as a gratuity for the dining hall help at the institute.

Then just as everyone automatically reached into his or her pocket, another person questioned the direction of the gift. Why tip the person behind the counter but not the cook in the kitchen? Should the money be given to each person in proportion to salary or divided equally among all? The participants laughed uneasily—or groaned—as they thought of the diversion of precious time from the case. A decision had to be made.

With the sure instincts of efficient managers, the group chose to forgo further discussion of distributive justice and, yes, appoint a committee. The committee doled out the money without further group consideration, and no formal feedback on the donation was asked for or given.

The questions offered here do not solve the problem of making time for the inquiry. For suggestions about creating favorable conditions for examining corporate values, drawn from my field research, see *Appendix*.

10. Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, or society as a whole?

The old question, "Would you want your decision to appear on the front page of the *New York Times*?" still holds. A corporation may maintain that there's really no problem, but a survey of how many "trivial" actions it is reluctant to disclose might be interesting. Disclosure is a way of sounding those submarine depths of conscience and of searching out loyalties.

It is also a way of keeping a corporate character cohesive. The Lex group, for example, was once faced with a very sticky problem concerning a small but profitable site with unpleasant (though in no way illegal) working conditions, where two men with 30 years' service worked. I wrote up the case for a Lex senior managers' meeting on the promise to disguise it heavily because the executive who supervised the plant was convinced that, if the chairman and the personnel director knew the plant's true location, they would close it down immediately.

At the meeting, however, as everyone became involved in the discussion and the chairman himself showed sensitivity to the dilemma, the executive disclosed the location and spoke of his own feelings about the situation. The level of mutual confidence was apparent to all, and by other reports it was the most open discussion the group had ever had.

The meeting also fostered understanding of the company's values and their implementation. When the discussion finally flagged, the chairman spoke up. Basing his views on a full knowledge of the group's understanding of the problem, he set the company's priorities. "Jobs over fancy conditions, health over jobs," Chinn said, "but we always *must disclose*." The group decided to keep the plant open, at least for the time being.

Disclosure does not, however, automatically bring universal sympathy. In the early 1970s, a large food store chain that repeatedly found itself embroiled in the United Farm Workers (UFW) disputes with the Teamsters over California grape and lettuce contracts took very seriously the moral implications of a decision whether to stop selling these products. The company endlessly researched the issues, talked to all sides, and made itself available to public representatives of various interest groups to explain its position and to hear out everyone else.

When the controversy started, the company decided to support the UFW boycott, but three years later top management reversed its position. Most of the people who wrote to the company or asked it to send representatives to their local UFW support meetings, however, continued to condemn the chain even after hearing its views, and the general public apparently never became aware of the company's side of the story.

11. What is the symbolic potential of your action if understood? if misunderstood?

Jones Inc., a diversified multinational corporation with assets of $5 billion, has a paper manufacturing operation that happens to be the only major industry in Stirville, and the factory has been polluting the river on which it is located. Local and national conservation groups have filed suit against Jones Inc. for past damages, and the company is defending itself. Meanwhile, the corporation has adopted plans for a new waste-efficient plant. The legal battle is extended and local resentment against Jones Inc. gets bitter.

As a settlement is being reached, Jones Inc. announces that, as a civic-minded gesture, it will make 400 acres of Stirville woodland it owns available to the residents for conservation and recreation purposes. Jones's intention is to offer a peace pipe to the people of Stirville, and the company sees the gift as a symbol of its own belief in conservation and a way of signaling that value to Stirville residents and national conservation groups. Should Jones Inc. give the land away? Is the symbolism significant?

If the symbolic value of the land is understood as Jones Inc. intends, the gift may patch up the company's relations with Stirville and stave off further disaffection with potential employees as the new plant is being built. It may also signal to employees throughout the corporation that Jones Inc. places a premium on conservation efforts and community relations.

If the symbolic value is misunderstood, however, or if completion of the plant is delayed and the old one has to be put back in use—or if another Jones operation is discovered to be polluting another community and becomes a target of the press—the gift could be interpreted as nothing more than a cheap effort to pay off the people of Stirville and hasten settlement of the lawsuit.

The Greek root of our word *symbol* means both signal and contract. A business decision—whether it is the use of an expense account or a corporate donation—has a symbolic value in signaling what is acceptable behavior within the corporate culture and in making a tacit contract with employees and the community about the rules of the game. How the symbol is actually perceived (or misperceived) is as important as how you intend it to be perceived.

12. Under what conditions would you allow exceptions to your stand?

If we accept the idea that every business decision has an important symbolic value and a contractual nature, then the need for consistency is obvious. At the same time, it is also important to ask under what conditions the rules of the game may be changed. What conflicting principles, circumstances, or time constraints would provide a morally acceptable basis for making an exception to one's normal institutional ethos? For instance, how does the cost of the strategy to develop managers from minority groups over the long term fit in with short-term hurdle rates? Also to be considered is what would mitigate a clear case of employee dishonesty.

Questions of consistency—if you would do X, would you also do Y?—are yet another way of eliciting the ethics of the company and of oneself, and can be a final test of the strength, idealism, or practicality of those values. A last example from the experience of Lex illustrates this point and gives temporary credence to the platitude that good ethics is good business. An article in the Sunday paper about a company that had run a series of racy ads, with pictures of half-dressed women and promises of free merchandise to promote the sale of a very mundane product, sparked an extended examination at Lex of its policies on corporate inducements.

One area of concern was holiday giving. What was the acceptable limit for a gift—a bottle of whiskey? a case? Did it matter only that the company did not *intend* the gift to be an inducement, or did the mere possibility of inducement taint the gift? Was the cut-off point absolute? The group could agree on no halfway point for allowing some gifts and not others, so a new value was added to the formal statement that prohibited the offering or receiving of inducements.

The next holiday season Chinn sent a letter to friends and colleagues who had received gifts of appreciation in the past. In it he explained that, as a result of Lex's concern with "the very complex area of business ethics," management had decided that the company would no longer send any gifts, nor would it be appropriate for its employees to receive any. Although the letter did not explain Lex's reasoning behind the decision, apparently there was a large untapped consensus about such gift giving: by return mail Chinn received at least 20 letters from directors, general managers, and chairmen of companies with which Lex had done business congratulating him for his decision, agreeing with the new policy, and thanking him for his holiday wishes.

The "Good Puppy" Theory

The 12 questions are a way to articulate an idea of the responsibilities involved and to lay them open for examination. Whether a decisive policy is also generated or not, there are compelling reasons for holding such discussions:

The process facilitates talk as a group about a subject that has traditionally been reserved for the privacy of one's conscience. Moreover, for those whose consciences twitch but don't speak in full sentences, the questions help sort out their own perceptions of the problem and various ways of thinking about it.

The process builds a cohesiveness of managerial character as points of consensus emerge and people from vastly different operations discover that they share common problems. It is one way of determining the values and goals of the company, and that is a key element in determining corporate strategy.

It acts as an information resource. Senior managers learn about other parts of the company with which they may have little contact.

It helps uncover ethical inconsistencies in the articulated values of the corporation or between these values and the financial strategy.

It helps uncover sometimes dramatic differences between the values and the practicality of their implementation.

It helps the CEO understand how the senior managers think, how they handle a problem, and how willing and able they are to deal with complexity. It reveals how they may be drawing on the private self to the enhancement of corporate activity.

In drawing out the private self in connection with business and in exploring the significance of the corporation's activities, the process derives meaning from an environment that is often characterized as meaningless.

It helps improve the nature and range of alternatives.

It is cathartic.

The process is also reductive in that it limits the level of inquiry. For example, the 12 questions ask what injury might result from a decision and what good is intended, but they do not ask the meaning of *good* or whether the result is "just."

Socrates asked how a person could talk of pursuing the good before knowing what the good is; and the analysis he visualized entailed a lifelong process of learning and examination. Do the 12 short questions, with their explicit goal of simplifying the ethical examination, bastardize the Socratic ideal? To answer this, we must distinguish between personal philosophy and participation as a corporate member in the examination of a *corporate* ethos, for the 12 questions assume some difference between private and corporate "goodness."

This distinction is crucial to any evaluation of my suggested process for conducting an ethical inquiry and needs to be explained. What exactly do we expect of the "ethical," or "good," corporation? Three examples of goodness represent prevailing social opinions, from that of the moral philosopher to the strict Friedmaniac.

1. The most rigorous moral analogy to the good corporation would be the "good man." An abstract, philosophical ideal having highly moral connotations, the good man encompasses an intricate relation of abstractions such as Plato's four virtues (courage, godliness or philosophical wisdom, righteousness, and prudence). The activities of this kind of good corporation imply a heavy responsibility to collectively know the good and to resolve to achieve it.

2. Next, there is the purely amoral definition of good, as in a "good martini"—an amoral fulfillment of a largely inanimate and functional purpose. Under this definition, corporate goodness would be best achieved by the unadorned accrual of profits with no regard for the social implications of the means whereby profits are made.

3. Halfway between these two views lies the good as in "good puppy"—here goodness consists primarily of the fulfillment of a social contract that centers on avoiding social injury. Moral capacity is perceived as present, but its potential is limited. A moral evaluation of the good puppy is possible but exists largely in concrete terms; we do not need to identify the puppy's intentions as utilitarian to understand and agree that its "ethical" fulfillment of the social contract consists of not soiling the carpet or biting the baby.

It seems to me that business ethics operates most appropriately for corporate man when it seeks to define and explore corporate morality at the level of the good puppy. The good corporation is expected to avoid perpetrating irretrievable social injury (and to assume the costs when it unintentionally does injury) while focusing on its purpose as a profit-making organization. Its moral capacity does not extend, however, to determining by itself what will improve the general social welfare.

The good puppy inquiry operates largely in concrete experience; just as the 12 questions impose a limit on our moral expectations, so too they impose a limit (welcome, to some) on our use of abstraction to get at the problem.

The situations for testing business morality remain complex. But by avoiding theoretical inquiry and limiting the expectations of corporate goodness to a few rules for social behavior that are based on common sense, we can develop an ethic that is appropriate to the language, ideology, and institutional dynamics of business decision making and consensus. This ethic can also offer managers a practical way of exploring those occasions when their corporate brains are getting warning flashes from their noncorporate brains.

APPENDIX

Shared Conditions of Some Successful Ethical Inquiries

Fixed time frame	Understanding and identifying moral issues takes time and causes ferment, and the executive needs an uninterrupted block of time to ponder the problems.
Unconventional location	Religious groups, boards of directors, and professional associations have long recognized the value of the retreat as a way of stimulating fresh approaches to regular activities. If the group is going to transcend normal corporate hierarchies, it should hold the discussion on neutral territory so that all may participate with the same degree of freedom.
Resource person	The advantage of bringing in an outsider is not that he or she will impose some preconceived notion of right and wrong on management but that he will serve as a midwife for bringing the values already present in the institution out into the open. He can generate closer examination of the discrepancies between values and practice and draw on a wider knowledge of instances and intellectual frameworks than the group can. The resource person may also take the important role of arbitrator—to ensure that one person does not dominate the session with his or her own values and that the dialogue does not become impossibly emotional.
Participation of CEO	In most corporations the chief executive still commands an extra degree of authority for the intangible we call corporate culture, and the discussion needs the perspective of and legitimization by that authority if it is to have any seriousness of purpose and consequence. One of the most interesting experiments in examining corporate policy I have observed lacked the CEO's support, and within a year it died on the vine.
Credo	Articulating the corporation's values and objectives provides a reference point for group inquiry and implementation. Ethical codes, however, when drawn up by the legal department, do not always offer a realistic and full representation of management's beliefs. The most important ethical inquiry for management may be the very formulation of such a statement, for the *process* of articulation is as useful as the values agreed on.
Homegrown topics	In isolating an ethical issue, drawing on your own experience is important. Philosophical business ethics has tended to reflect national social controversies, which though relevant to the corporation may not always be as relevant—not to mention as easily resolved—as some internal issues that are shaping the character of the company to a much greater degree. Executives are also more likely to be informed on these issues.
Resolution	In all the programs I observed except one, there was a point at which the inquiry was slated to have some resolution: either a vote on the issue, the adoption of a new policy, a timetable for implementation, or the formulation of a specific statement of values. The one program observed that had no such decision-making structure was organized simply to gather information about the company's activities through extrahierarchical channels. Because the program had no tangible goals or clearly articulated results, its benefits were impossible to measure.

NOTE

1. The process is modeled after ideas in Kenneth R. Andrews's book *The Concept of Corporate Strategy* (Homewood, Ill.: Richard D. Irwin, 1980, revised edition) and in Richard F. Vancil's article "Strategy Formulation in Complex Organizations," *Sloan Management Review*, Winter 1976, p. 4.

LAURA NASH'S MODEL OF ETHICAL DECISION MAKING
TWELVE IMPORTANT QUESTIONS

1. **Have you defined the problem accurately?**

2. **How would you define the problem if you stood on the other side of the fence?**

3. **How did this situation occur in the first place?**

4. **To whom and to what do you give your loyalty as a person and as a member of the organisation?**

5. **What is your intention in making this decision?**

6. **How does this intention compare with the probable results?**

7. **Whom could your decision or action injure?**

8. **Can you discuss the problem with the affected parties before you make your decision?**

9. **Are you confident that your position will be as valid over a long period of time as it seems now?**

10. **Could you disclose without qualm your decision or action to your boss, your CEO, your family, society as a whole?**

11. **What is the symbolic potential of your action if understood? If misunderstood?**

12. **Under what conditions would you allow exceptions to your stand?**

Laura Nash "Ethics without the sermon" *Harvard Business Review* 59 1981 79-90